

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

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December 10, 2008

Mr. Dennis Fay
Executive Director
Alameda County Congestion Management Agency
1333 Broadway, Suite 220
Oakland, CA 94612

Re: Alameda County Congestion Management Agency
Audit of Indirect Cost Allocation Plan Fiscal Year 2007/08
File No: P1190-0662

Dear Mr. Fay:

We have audited the Alameda County Congestion Management Agency's (ACCMA's) Indirect Cost Allocation Plan (ICAP) for the fiscal year ended June 30, 2008 to determine whether the ICAP is presented in accordance with Title 2 Code of Federal Regulations (CFR) Part 225, and the Department of Transportation's (Department's) Local Programs Procedures (LPP) 04-10. The ACCMA management is responsible for the fair presentation of the ICAP. The ACCMA proposed an indirect cost rate of 102.99% of total direct salaries and wages plus fringe benefits.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the ACCMA. Therefore, we did not audit and are not expressing an opinion on ACCMA's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICAP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by the ACCMA, as well as evaluating the overall presentation.

The accompanying ICAP was prepared on a basis of accounting practices prescribed in Title 2 CFR, Part 225 and the Department's LPP 04-10, and is not intended to present the results of operations of the ACCMA in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICAP, a review of ACCMA's single audit report for the fiscal year ended June 30, 2006, inquiries of ACCMA personnel, and reliance on prior fieldwork performed as of April 18, 2002. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

AUDIT RESULTS

Based on audit work performed, ACCMA's ICAP for the fiscal year ended June 30, 2008 is presented in accordance with Title 2 CFR, Part 225 and LPP 04-10. The approved indirect cost rate is 102.99% of total direct salaries and wages plus fringe benefits. The approval is based on the understanding that a carry-forward provision applies and no adjustment will be made to previously approved rates.

Audit Findings

Finding 1

ACCMA incorrectly included direct salaries as indirect salaries in its FY 07/08 budgeted indirect cost pool and carryforward. Per 2 CFR, Part 225, Appendix A, Section E1, "Direct costs are those that can be identified specifically with a particular final cost objective." In addition, Appendix E, Section A1 states, "Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved." The approved rate was adjusted by ACCMA to correct the errors.

Recommendation

For future ICAPs, the indirect cost pools used to calculate the ICAP rate should exclude all costs that are direct in nature.

ACCMA's Response

The ACCMA concurs with the recommendation and will exclude all direct costs in future proposed ICAP rate calculations.

Analysis of Response

ACCMA concurs with our finding and recommendation. Finding and recommendation remain unchanged.

Finding 2

Carryforward costs included in ACCMA's FY 07/08 ICAP included \$3,765.85 in unallowable lobbying relating costs and \$4,830.66 in unallowable Board-related costs. CFR 2, Part 225, Appendix B, Section 24a states, "The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost." In addition, CFR 2, Part 225, Appendix B, Section 19a (2) states, "The general costs of government are unallowable. These include salaries and other expenses of a State legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction." The approved rate was adjusted by ACCMA to exclude the unallowable costs.

Recommendation

ACCMA should ensure that expenditures for lobbying and Board-related costs are excluded from future ICAPs as these costs are unallowable per CFR 2, Part 225.

ACCMA's Response

The ACCMA concurs with the recommendation and will ensure that lobbying and Board related costs are excluded from future proposed ICAP calculations. However, I would like to mention, as I have to previous auditors, that the ACCMA Board spends at least 60% of its time during meetings discussing and deciding issues related to specific state highway and transportation projects. These issues relate to approving specific projects and receiving status briefings on actual ongoing construction projects. ACCMA staff charge their time spent at Board meetings to the specific projects they are presenting. For this reason, ACCMA believes some portion of Board expenses should be considered as a direct expense because they can be identified with a "final cost objective" and are not incurred in areas dealing with legislation or overall executive direction of the Agency. Agency staff carefully calculated the portion of Board time spent on specific project decisions and used this in supporting the case that a portion of Board expense be treated as a direct expense. Although we have agreed to the recommendation, we would like Audits and Investigations to consider this situation as an exception to the rule in future ICAP calculations.

Analysis of Response

ACCMA concurs in part with our finding and recommendation. Finding and recommendation remain unchanged.

This report is intended solely for the information of the ACCMA, Department Management, the California Transportation Commission and the Federal Highway Administration (FHWA). However, this report is a matter of public record and its distribution is not limited.

Please retain the approved Indirect Cost Allocation Plan for your files. Copies were sent to the Department's District 4, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Alice Lee, Auditor, at (916) 323-7953 or Amada Maenpaa, Audit Supervisor, at (916) 323-7868.



MARYANN CAMPBELL-SMITH
Chief, External Audits

Attachments

c: Brenda Bryant, FHWA
Sue Kiser, FHWA
Gary Buckhammer, Division of Accounting
Sylvia Fung, District 4
Dan Mundy, Division of Mass Transportation

File copy: P1190-0662

**Alameda County Congestion Management Agency
Indirect Cost Plan**

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Department), subject to the conditions in Section II. This plan was prepared by Alameda County CMA and approved by the Department.

SECTION 1: Rates

<u>Rate Type</u>	<u>Effective Period</u>	<u>Rate*</u>	<u>Applicable To</u>
Fixed with carry forward	7/01/07 to 6/30/08	102.99%	All Programs

* Base: Total Direct Salaries and Wages plus fringe benefits

SECTION II: General Provisions

A. Limitations:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or the Department. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or the Department; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and, (6) This rate is based on an estimate of the costs to be incurred during the period.

B. Accounting Changes:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs, which affect the amount of reimbursement resulting from the use of this Agreement, require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. Fixed Rate with Carry Forward:

The fixed rate used in this Agreement is based on estimate of the costs for the period covered by the rate. When the actual costs for this period are determined—either by the grantee's Single Audit or if a Single Audit is not required, then by the grantee's audit financial statements—any differences between the application of the fixed rate and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate, to the second fiscal year subsequent to the fiscal year covered by this plan.

D. Audit Adjustments:

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

E. Use by Other Federal Agencies:

Authority to approve this agreement by the Department has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency.

The approval will also be used by the Department in State-only funded projects.

F. Other:

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

G. Rate of Calculation:

FY 2008 Budgeted Indirect Costs	\$ 2,400,868
Carry Forward from FY 2006	<u>243,124</u>
Estimated FY 2008 Indirect Costs	\$ 2,643,992
FY 2008 Budgeted Direct Salaries and Wages plus Fringe Benefits	2,567,219
	<u> </u>
Estimated FY 2008 Direct Salaries and Wages plus Fringe Benefits	\$ 2,567,219
FY 2007/2008 Indirect Cost Rate	102.99%

CERTIFICATION OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal to establish billing or final indirect costs rates for fiscal year 2008 (July 1, 2007 to June 30, 2008) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

ALAMEDA COUNTY CONGESTION MANAGEMENT AGENCY
FY 07/08 Budgeted Indirect Cost Rate Calculation

***This calculation is based on CMA's approved budget (See attached FY 07/08 approved budget)*

							Adjusted
	Direct	Indirect	Total Estimated Budget Cost	Unallowable Cost	Ref.	Budget Indirect Cost	
<u>DIRECT COSTS:</u>							
Salaries	\$ 1,633,390	\$ 959,292	\$ 2,592,682	\$ 123,950		\$ 835,342	
Benefits	933,829	548,439	1,482,268	\$ 178,220	a	\$ 494,169	
<i>Subtotal for Salaries and Fringe Benefits</i>	<i>2,567,219</i>	<i>1,507,731</i>	<i>4,074,950</i>			<i>1,329,511</i>	
<u>INDIRECT COSTS:</u>							
Board Meeting per diem		50,000	50,000	50,000	b	-	
Transportation/Travel-Special Events		77,625	77,625	30,000	b	47,625	
Training		20,000	20,000			20,000	
Office Space		427,500	427,500	23,868	b	403,632	
Postage/Reproduction		35,000	35,000	720	b	34,280	
Office Expenses		185,000	185,000			185,000	
Computer Support		60,000	60,000			60,000	
Website Service		15,000	15,000			15,000	
Misc. Expenses		3,000	3,000			3,000	
Tenant Improvements		40,000	40,000	40,000		-	
Equipment/Office Furniture/Building Improvement		75,000	75,000	55,000	b	20,000	
Insurance		15,000	15,000			15,000	
Consultants: On Call		120,000	120,000	15,000	b	105,000	
Legal Counsel		102,820	102,820	60,000	b	42,820	
Temporary Employees		45,000	45,000			45,000	
Annual Audit		45,000	45,000			45,000	
Interest Expense		250,000	250,000	250,000	b	-	
Consultants: DBE/SBE/LBE		25,000	25,000			25,000	
EDAB Membership		5,000	5,000			5,000	
Consultants/Contractors		63,502,097	63,502,097	63,502,097	b	-	
Legislative Advocacy		103,000	103,000	103,000	b	-	
<i>Total Indirect Costs</i>	<i>\$ -</i>	<i>\$ 65,201,042</i>	<i>\$ 65,201,042</i>	<i>\$ 64,129,685</i>		<i>\$ 1,071,357</i>	
<i>Total Budget Cost</i>	<i>\$ 2,567,219</i>	<i>\$ 66,708,773</i>	<i>\$ 69,275,992</i>	<i>\$ 64,129,685</i>		<i>\$ 2,400,868</i>	
Less: Carry-Forward (from 2 years prior)						243,124	
Net Indirect Costs						<u>2,643,992</u>	

Benefit Rate:	
57%	1,482,268
	2,592,682

Indirect Cost Rate:	
102.99%	2,643,992
	2,567,219

Note (a) The allocated between Direct and Indirect for fringe benefits in based on Salary percentage.

Note (b) Adjustments accordance to OMB A-87

**ALAMEDA COUNTY CONGESTION MANAGEMENT AGENCY
CARRY FORWARD CALCULATION**

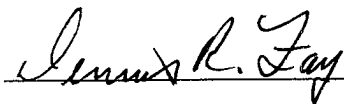
	FY 04/05	FY 05/06	FY 06/07		FY 07/08
APPROVED RATE	174%	72.25%	95.99%	Proposed Rate (Indirect Costs/Direct S&W + FB)	102.99%
INDIRECT CARRY FORWARD					
Carry Forward	(3,778)	(473,583)	(231,822)	Carry Forward	243,124
Indirect Costs from Single Audit	<u>1,021,842</u>	<u>1,410,867</u>		Estimated Indirect Costs	<u>2,400,868</u>
				(From FY 07/08 Budget)	
				Totals Estimated Indirect Costs	<u>2,643,992</u>
Total Indirect costs	1,018,064	937,284			
				Estimated Direct S&W + FB	<u>2,567,219</u>
				(From FY 07-08 Budget)	
Recovered Costs					
Direct Salaries & Wages + Fringe Benefits	718,325	960,775			
(* Approved Rate)	174%	72.25%			
Total Recovered Indirect Costs	1,249,886	694,160			
Indirect Carry Forward	(231,822)	243,124			
DIRECT SALARIES & WAGES + FRINGE BENEFITS (Per Single Audit)					
General Fund - S&W + FB	718,325	960,775			
Special Revenue Fund - S&W - FB	N/A	N/A			
Internal Service Fund - S&W + FB	<u>N/A</u>	<u>N/A</u>			
Total Direct Salaries & Wages + Fringe Benefits	718,325	960,775			

^(a) Over-recovery = Positive (+) amount
Under-recovery = Negative (-) amount

- (2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and the Department will be notified of any accounting changes that would affect the fixed rate.

I declare that the foregoing is true and correct.

Governmental Unit: Alameda County Congestion Management Agency

Signature: 

Reviewed, Approved and Submitted by:

Name of Official: Dennis Fay

Title: Executive Director

Date of Execution: 7-9-08

Signature: 

Prepared by:

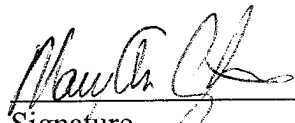
Name of Official: Yvonne Chan

Title: Accounting Manager

Telephone No.: (510) 836-2560

INDIRECT COST RATE APPROVAL

The Department has reviewed this indirect cost plan and hereby approves the plan.


Signature

Reviewed and Approved by:

MaryAnn Campbell-Smith
Name of Audit Manager

Title: Chief, External Audits

Date: December 10, 2008

Phone Number: (916) 323-7105


Signature

Reviewed and Approved by:

Alice Lee
Name of Auditor

Title: Auditor

Date: December 10, 2008

Phone Number: (916) 323-7953